



ARIZONA DEPARTMENT OF ECONOMIC SECURITY
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Janet Napolitano
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April 14, 2005

Ms. Christine Kulick
United States Department of Labor /Employment and Training Administration
Office of Workforce Investment, Division of One-Stop Operations
200 Constitution Avenue, NW, Room S-4231
Washington, DC 20210

Subject: State of Arizona Request for Extension of Existing WIA Title IB Waivers

References: P.L.105-220 §133(b)(2)(B) and (b)(4), §134(a)(2)(B)(iii), §136(c) and (h) of the Workforce Investment Act of 1998; 20 CFR 663.530, 667.130, 667.130(b)(1), 666.300, 666.310, and 666.420 of the WIA Final Rules dated August 2000; USDOL/ETA Training and Employment Guidance Letter (TEGL) No. 14-04 dated January 21, 2005

Dear Ms. Kulick:

On behalf of the Governor's Council on Workforce Policy (GCWP), the Arizona Department of Economic Security (DES) - state grantee of WIA Title IB federal funding, and the partner organizations which comprise Arizona's One-Stop System, the enclosed brief is submitted for your review concerning a request to extend current waivers granted to Arizona under WIA's existing legislative and regulatory provisions. Arizona requests a two (2) year extension of all waivers effective until June 30, 2007. As outlined in the attached brief, these waivers have been instrumental in forging partner alliances and instituting service provisions that continue to position Arizona's workforce as better skilled and more competitive in a global economy.

Along with anticipating the many, key reforms expected under WIA Re-authorization, our workforce communities are focused on sustaining the decision-making flexibility granted to them via waivers currently in place. Throughout the state, local workforce investment areas have reaped the benefits of an ever-growing training provider list, a more integrated approach to serving dislocated workers, and broader discretion in transferring funds between participant groups – all a direct result of Arizona's existing waiver authority.

Your assistance in moving this request forward is greatly appreciated. Please contact me at Phone No. (602) 542-1784 or via e-mail at lalston@azdes.gov if you need additional information.

Yours very truly,

Lela Alston
Manager, WIA Section
DES Employment Administration

c: Ralph Zackheim – DOL-ETA Region 6

Enclosure (1)

**STATE OF ARIZONA
REQUEST FOR EXTENSION OF EXISTING WAIVERS
GRANTED UNDER TITLE IB OF THE WORKFORCE INVESTMENT ACT (WIA)**

Waiver Control No.	Statute/Regulatory Provision	Citation	Currently Effective Through
AZ 2002, AZ 2002-2, and AZ 2004	Subsequent Eligibility of Training Providers	122(c)(5); 20 CFR 663.530	June 30, 2005

Justification

In May 2002 and again in June 2003, Arizona was granted a waiver to extend the period of initial eligibility for training providers and programs currently approved to the state's eligible training provider list (ETPL). The most recent waiver remains in effect until June 30, 2005. Arizona's workforce community has used the effective periods under waivers to advance the following objectives:

- (a) Streamline the initial ETPL application process and make it available electronically.
- (b) Garner statewide support for the ETPL through a multi-faceted marketing strategy.
- (c) Continue expanding the list of providers and programs.
- (d) Normalize understanding of ETPL federal and state policies among all stakeholders.
- (e) Gather input from local grantees and training providers to identify the discreet provisions of the WIA and its regulations that may prevent expansion of training offerings to customers eligible for training services.
- (f) Develop alternative methodologies (e.g. self-reporting, representative sampling) to the "student universe" reporting requirement for subsequent eligibility, that would be amenable to providers, and still comply with federal mandates.
- (g) Determine the extent to which more restrictive provisions of the Family Education and Right to Privacy Act (20 USC 1232g) issued by the U.S. Department of Education in late January 2003, compromised the state's newly modified subsequent eligibility process, obliging further modification of the process.

Growing national speculation about expected federal changes to ETPL processes under WIA Re-authorization, coupled with DOL approval of over 30 related waivers in recent years, prompted formal discussions among Arizona's largest training providers beginning approximately one year ago. These discussions have since become the foundation for what is anticipated to be a series of recommendations that will go forward to the Governor for modifying the state's current ETPL processes. U.S. House Rule 27, recently introduced as the Job Training Improvement Act of 2005 and U.S. Senate Bill 9, introduced as the Lifelong Education Opportunities Act of 2005, both recommend elimination of the current statutory requirements for eligible training providers. Therefore, the expectation is high that governors will be permitted to consult with local boards, training providers, and other stakeholders to establish state-specific criteria for approval of providers to their ETPLs. The waiver extension, then, would facilitate continued expansion of Arizona's ETPL, while supporting the state's progress toward new ETPL processes that broaden customer choice and hold providers accountable for the quality of their training programs.

Outcomes/Benefits

Extension of this waiver would allow local boards to continue balancing expansion of training opportunities with their desire to participate more fully in fine tuning the state's ETPL eligibility processes. In addition, the expected implementation of Common Measures has prompted a renewed interest in examining other ways in which training providers can be held accountable in a demand-driven workforce investment system. Currently under consideration are the following:

- (d) Authorize "fast-tracking" of the ETPL initial application process for programs already approved by the state's private post-secondary commission, federal or state apprenticeship authority, or a state medical licensing board, contingent on their most current employment-related performance outcomes.
- (b) Devise a series of measures that support *regional* workforce and economic development goals.
- © Develop additional measures that call for training successes in the state's high demand and high wage industries.
- (d) Normalize cost categories associated with each training program so that valid comparisons can be made and the training choices of customers are better informed.

Monitoring/Evaluation

The DES Employment Administration conducts annual reviews of training plans in all local areas. Such reviews ensure that program participants are placed in training supported by results of individualized assessments, which characterize knowledge, skills, as well as interests in future employment.

The state Department of Education conducts initial, on-site reviews of prospective provider locations and conducts annual visits to current provider locations. A single point of contact is available via phone and e-mail to field questions about the ETPL, and technical assistance is available on demand to help users maneuver through the web-based ETPL application process.

Public Comment

This waiver extension request was made available for public comment over a 25-day period via web site (<http://coursesistes.blackboard.com>) and via open meetings which focused on development of the new State Plan under WIA. No comments were fielded from either source.

Waiver Control No.	Statute/Regulatory Provision	Citation	Currently Effective Through
AZ 2002-1	Within State Allocations – Dislocated Workers	133(b)(2)(B), 20 CFR 667.130	June 30, 2005
	Other Required Statewide E & T Activities	134(a)(2)(B)(iii), 20 CFR 667.130(b)(1)	June 30, 2005
	Local-level WIA Performance Measures	136©, 20 CFR 666.300 and 666.310	June 30, 2005
	Sanctions- Failure to Meet Local Performance Measures	136(h), 20 CFR 666.420	June 30, 2005

Justification

Among Arizona's fifteen local areas (LWIAs), most are characterized as rural according to federal and state economic standards. In January 2003, the state was granted a waiver which essentially allowed pooling of the dislocated worker/rapid response formula allocations for six of these rural LWIAs, resulting in integration of their dislocated worker (DW) programs under a single administrative entity. This entity, known as the Re-employment and Pre-layoff Assistance Center (REPAC, Gila County) currently administers the dislocated worker program for a consortium made up of Apache, Gila/Pinal, Graham, Greenlee, Mohave/LaPaz, and Navajo Counties. As noted above, the waiver granted to Arizona impacts multiple provisions of the WIA and its regulations. However, it provides the fiscal and programmatic flexibility necessary to improve performance outcomes, as well as expand the service mix to customers in all six LWIAs.

Outcomes/Benefits

In Program Year (PY) 2000, prior to waiver approval, enrollments in the six discreet DW programs totaled approximately 400 participants and each LWIA failed at least one of the four DW performance measures according to annual outcomes reported to DOL. In fact, two of the LWIAs failed all DW measures. Since the waiver was granted in PY 2002, DW enrollments through REPAC have averaged over 600 participants, and all annually reported DW measures have been met or exceeded.* Integration of rural programs under the waiver have also increased the number of staff dedicated to providing services specifically to DWs; recordkeeping has become centralized, and the frequency and quality of data input has improved dramatically. More importantly, the waiver has paved the way for new opportunities to leverage funding and other resources – crucial elements in the continuing defragmentation and eventual integration of employment and training programs nationally.

*Source: State of Arizona WIA Title IB Annual Reports, PY 2000 through PY 2003.

Monitoring/Evaluation

The DES Employment Administration conducts an annual on-site, in-depth review of at least 10% of all DW case files at REPAC's centralized records location. Such reviews help identify aspects of program operations that are either beneficial or potentially detrimental to continued waiver compliance. Reviewers also attend REPAC's board meetings, as well as board meetings for each LWIA that REPAC represents. These meetings help reinforce the ready availability of state staff to assist in all aspects of DW program operations. They also help state staff assess training needs and ensure that federal or state-initiated updates to the DW program are put into place as intended.

DES Reviewers, along with WIA Policy staff, serve as daily, single points of contact for DW assistance statewide.

Public Comment

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Waiver Control No.	Statute/Regulatory Provision	Citation	Currently Effective Through
AZ 2004-2	20% Funds Transfer Authority to permit 100% transfer between Adult and Dislocated Worker Programs	133(b)(4), 20 CFR 667.140(a)	June 30, 2005

Justification

Arizona's state workforce investment board, the Governor's Council on Workforce Policy (GCWP), has consistently advocated for local decision-making that broadens the level and mix of services to job seekers. Among the factors that support this view are: (1) the diverse economic and cultural communities in the state, and (2) the disproportionate distribution of Arizona's population across two metropolitan areas (Phoenix and Tucson) and thirteen largely rural areas. These factors have presented serious challenges at times to individual local workforce investment boards (LWIBs) in their efforts to comply with federal funding rules. The challenges have translated into lagging funding utilization rates in at least six LWIAs over the past two program years, where the number of adults in need is significantly larger than the number of dislocated workers requiring help. In narratives submitted to the state each quarter, DOL has consistently called for the state to address the under-spending of DW funds. For the foreseeable future, the waiver giving authority to the GCWP to increase local transfer rates, provides the much-needed flexibility that local boards require to meet the distinct needs of their individual customer groups.

Outcomes/Benefits

The waiver supports WIA program design based on local needs. It also supports improved alignment of service offerings by partner programs with local WIA programs. The expectation is strong, therefore, that performance outcomes will improve overall and more customers will be served in the aggregate in those LWIAs that actively pursue a modification in their transfer rate.

Monitoring/Evaluation

Arizona has a federally approved monitoring system that includes on-site reviews and training for local staff, as well as a customer tracking system to assess the effectiveness of the state's WIA programs. On-site reviews include programmatic, fiscal, and Equal Employment Opportunity practices in each LWIA. In addition, reviewers regularly attend local board meetings throughout the state to gather the latest information on services and expenditures.

Public Comment

This waiver extension request was made available for public comment over a 25-day period via web site (<http://coursesites.blackboard.com>) and via open meetings which focused on development of the new State Plan under WIA. No comments were fielded from either source.